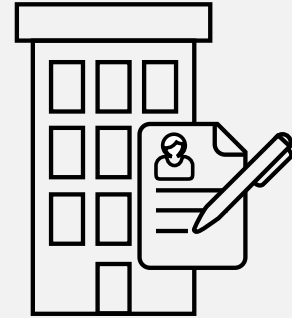
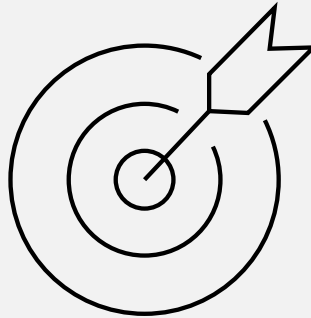
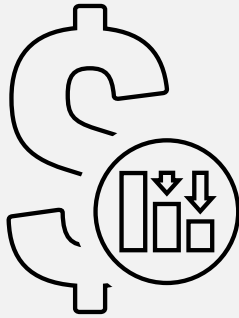


EVIDENCE-INSIGHTS-POLICY

NEW EVIDENCE ON THE EFFECTIVENESS OF DIFFERENT POLICY INSTRUMENTS



The first experimental evidence on formalizing firms in Africa shows additional efforts are often not cost-effective, provides guidance on targeting, and highlights that firms can be willing to register separately from taxes.

TESTING DIFFERENT POLICIES TO ENHANCE THE BENEFITS OF A NEW FORMAL STATUS FOR ENTREPRENEURS IN BENIN.

Benhassine et al. (2018) carry out an experiment in Benin, which tests the effectiveness of offering supplementary services to encourage business owners to register under the new entrepreneur status. Visiting the firms in person and explaining the benefits gets 9 percent to register, and offering supplementary services including links to government training programs, banking services, and tax mediation increases this to 16 percent registering. However, these additional services do not appear cost effective. They show how firm characteristics can be used to target such programs at firms that are more likely to formalize, which can guide policy efforts going forward.

BRINGING FIRMS INTO THE FORMAL SYSTEM IN MALAWI.

In Malawi, Campos et al. (2015) show that a system that separates firm registration in a firm registry from tax registration can result in high take-up of assistance in receiving business certification, with 75 percent of firms formalizing in this domain. However, demand for tax registration was low. Combining this business registration assistance with bank information sessions led to increases in financial access and suggests that the purported benefits of formality may not come automatically, but may need further government facilitation to help firms benefit.



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